



Request for City Council Committee Action From the Department of Finance and Property Services

Date: June 25, 2012

To: Honorable Betsy Hodges, Chair Ways & Means Committee

Subject: **Lease Amendment – Canal Street Ltd. Partnership**

Recommendation:

That the proper City officers be authorized to negotiate and execute an amendment to the current lease agreement (Contract # C9610431) with Canal Street Ltd. Partnership, for office space at the Crown Roller Mill building, located at 105 5th Avenue South. The proposed amendment would reduce the rentable square foot obligation paid by the City by approximately 6652 square feet. The net savings of the amended lease agreement will reduce the annual operating expenditure for the Community Planning and Economic Development, Fund GEN0 Department 8900110.

Previous Directives:

- January of 2001 – Lease was amended to consolidated leased space in the Crown Roller Mill facility
- July of 1991 – Minneapolis Community Development Agency authorized a fifteen (15) year lease with Canal Street Ltd. Partnership

Prepared by: Greg Goeke, Director of Property Service, 673-2706

Approved by:

Kevin Carpenter, Chief Financial Officer, Finance & Property Services Dept.

Paul Aasen, City Coordinator

Jeremy Hanson Willis, Director of Community Planning & Economic Dev.

Presenters: Greg Goeke, Director of Property Services

Reviews

Permanent Review Committee (PRC): Approval _NA Date _____

Civil Rights Approval Approval _NA Date _____

Policy Review Group (PRG): Approval _NA Date _____

Financial Impact

The Operating Cost obligation of the lease for the Operating Department will be reduced.

Community Impact

Neighborhood Notification: NA
City Goals: A City that Works
Comprehensive Plan: NA
Zoning Code: NA

Background/Supporting Information

The City (originally through the former Minneapolis Community Development Agency) has leased space from Canal Street Ltd. Partnership since 1991. The original lease had the City occupying space in multiple buildings. The lease was amended in 1991 and allowed the City to consolidate its leased space (with Canal Street Ltd. Partnership) into a single building (the Crown Roller Mill building located at 105 5th Avenue South). The amended lease has a termination date of August 31, 2016.

Due to reductions in staff, the City no longer needs to utilize all of the space that the City is obligated to pay for in the lease. Pockets of vacant space have the potential to be consolidated and freed up for subleasing. The City, through a real estate broker, has been marketing excess space on the sublease market. The realtor has brought forward a new tenant that intends to sign a long term lease directly with the owner for a portion of the City's leased space (suite 450). The proposed amendment will require the City to vacate the space by July 1st in order for the tenant improvements to commence with planned occupancy on September 1, 2012. In order to vacate the space, some City staff will be moved to other City leased spaces within the building.

Recommendation

Staff has proposed, and the ownership has agreed to (in principle), that the lease be amended as a "buy-out" option (for Suite 450). Buyout options are a standard practice of the industry when the requested leasing term of occupancy of the new tenant exceeds the remaining time (sublease potential) of the current lease agreement. As part of the buy-out option, the City would provide a lump sum cash payment to the owner to be relieved of any further obligation for the designated space. The cash payment is intended to contribute to the overall cost of tenant improvements and brokerage fees associated with the new tenant. The lease amendment is subject to the new tenant signing a lease with the building ownership.

Therefore, the staff requests authority to negotiate and execute an amendment to the current lease with Canal Street Ltd Partnerships to reduce the City lease obligation in the Crown Roller Mill building.

Attachments.: None

Cc: Gary Winter